PROJECT PXB UPDATE
TEAM MEETING
7/7/98
1:00-3:00

- **BACKGROUND**

- **Objective:**
  Develop a premium cigarette brand utilizing an existing trademark that can provide PM with a mainstream alternative choice for Marlboro smokers.

- **Strategy:**
  Introduce new FF Parliament
  - **Rationale:**
    To compete as a "Big Three Brand", proposition must have a full family line-up offering Full Flavor and Lights; without FF, opportunity to appeal to 45% of smokers lost
  - **Proposition:**
    - **Non Menthol and Menthol Kings Box**
    - **Addition to existing Lights franchise**
      - **Non Menthol Lights**
        - **Kings Box, 100's Soft, 100's RC**
      - **Menthol Lights**
        - **Kings Box and 100's Box**

- **Competitive Audience:**
  - **YAS of Camel, Winston, Newport and Marlboro outswitchers**

- **Product:**
  New Full Flavor
  - **Non Menthol Kings Box**
    - **79mm, Recessed Filter (3mm preference), Parliament blend, 15 mg. tar**
  - **Menthol Kings Box**
    - **79 mm, Recessed Filter (3mm preference), Brand X Menthol blend, 15 mg. tar**
  - **Existing lights**
    - **No change in product**

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Source: https://www.industrydocuments.ucsf.edu/docs/ngnm0004

- **Packaging:**
  - Structure: Octagonal in heavier board on box packings
    - Research Results: Consumers like the fit and feel in hand and pocket (smooth edges), unique and more contemporary design, and view heavier board as providing higher quality and "more crushproof". This structure provides a point of differientation and uniqueness critical to success in marketplace, particularly among YAS.
    - Desired Plan:
      - Introduce new FF in Octagonal structure
        - NM and Menthol Kings Box
      - Reintroduce existing Lights in Octagonal structure
        - NM and Menthol Lights Kings Box
      - Lights soft packings no change in structure
        - Kings Soft, 100's soft
      - Feasibility study (costs, timing, issues, resources) for conversion of 100's Box in future
        - NM RC and Menthol
  - Graphics:

    Four designs:
    - New Non-Menthol Full Flavor Kings Box
      - Blue and gold
    - New Menthol Full Flavor Kings Box
      - Green and gold
    - Updated Non-Menthol Lights
      - Kings Box, Kings Soft, 100's Box, 100's Soft
      - Blue and white
    - Updated Menthol Lights
      - Kings Box and 100's Box
      - Green and white

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Source: https://www.industrydocuments.ucsf.edu/docs/ngnm0004

- **Proposed Introductory Strategy:**

Phase I:

- Proposed timing: October 1999
- Region 1:
  - Introduce new Full Flavor line extension
    - Menthol and Non-Menthol
  - Update existing packaging graphics on all existing packings
    - Menthol and Non-Menthol
      - Kings Box, Kings Soft, 100's Soft and 100's Box
  - Convert all Lights Kings Box to Octagonal Structure
    - Menthol and Non-Menthol Kings Box
- Region 2:
  - Introduce new brand family
    - Full Flavor and Lights
      - Menthol and Non-Menthol
      - Kings Box focus
    - Update existing packaging graphics on all existing packings
      - Menthol and Non-Menthol
        - Kings Box, Kings Soft, 100's Soft and 100's Box
    - Convert all Lights Kings Box to Octagonal Structure
      - Menthol & Non-Menthol Kings Box

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JUL 07 '98 01:01PM P.6

Source: https://www.industrydocuments.ucsf.edu/docs/ngnm0004

- **Proposed Introductory Strategy: (cont.)**

Phase 2:

- Proposed Timing: January 2000
- Regions 3, 4 & 5
  - Introduce new brand family
    - Full Flavor and Lights
      - Menthol and Non-Menthol
      - Kings Box focus
    - Update existing packaging graphics on all existing packings
      - Menthol and Non-Menthol
        - Kings Box, Kings Soft, 100's Soft and 100's Box
    - Convert all Lights Kings Box to Octagonal Structure
      - Menthol & Non-Menthol Kings Box

- **Volume/Share Assumptions:**

Phase I:

- Proposed Timing: October 1999
- Region 1

  - New NM Full Flavor Volume
    - Based upon 0.7 share of market
      - Non PM FF Kings Box share: 3.7
    - Annually: 420 million
    - Monthly: 35 million
    - Initial Allocation and Reserve (2 months): 70 million

  - New Menthol FF Kings Box Volume
    - Based upon 0.2 share of market
    - Annually: 120 million
    - Monthly: 10 million
    - Initial Allocation and Reserve: 20 million

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Phase I: (cont.)

- Incremental NM Lights Kings Box Volume
  - Based upon incremental 0.5 share points
    - Current Lights Kings Box Share: 1.5
  - Annually: 300 million incremental
  - Monthly: 25 million incremental
  - Initial Allocation and Reserve (2 months): 50 million

- Current Lights Volume
  - Annually:
    - NM Lts. Kings Box: 1.3 billion
    - NM Lts. Kings Soft: 108 million
    - NM Lts. 100's Soft: 433 million
    - NM Lts. 100's Box RC: 47 million (currently)
    - Men Lts. Kings Box: 107 million
    - Men Lts. 100's Box: 25 million

- **Region 2**

  - New NM Full Flavor Volume
    - Based upon 0.7 share of market
    - Annually: 700 million
    - Monthly: 58 million
    - Initial Allocation and Reserve (2 months): 117 million

  - New Menthol FF Kings Box Volume
    - Based upon 0.2 share of market
    - Annually: 200 million
    - Monthly: 17 million
    - Initial Allocation and Reserve: 34 million

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JUL 07 '98 01:01PM P.8

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Phase I: (cont.)

Region 2:

- **Incremental NM Lights Kings Box Volume**
  - **Based upon incremental 0.7 share points**
  - **Annually: 700 million incremental**
  - **Monthly: 58 million**
  - **Initial Allocation and Reserve (2 months): 117 million**

- **Current Lights Volume**
  - **Annually:**
    - **NM Lts. Kings Box: 134 million**
    - **NM Lts. Kings Soft: 73 million**
    - **NM Lts. 100's Soft: 139 million**
    - **NM Lts. 100's Box RC: 8 million (currently)**
    - **Men Lts. Kings Box: 2 million (currently)**
    - **Men Lts. 100's Box: 0.2 million (currently)**

- **Phase I Totals:**

Incremental NM FF Volume:	**1.14 billion/Yr.** **.95 billion/Mo.**
Incremental Men FF Volume:	**.32 billion/Yr.** **.27 billion/Mo**
Incremental NM Lights Volume:	**1.0 billion/Yr.** **.83 billion/Mo.**
Current Lights Volume:	**2.0 billion/Yr.** **.17 billion/Mo.**
Total	**4.46 billion/Yr.** **.37 billion/Mo**

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Source: https://www.industrydocuments.ucsf.edu/docs/ngnm0004

Phase 2:
Regions 3, 4, 5

- **Assumptions:**
  - **New NM Full Flavor Kings Box: 0.7 share**
  - **New Menthol FF Kings Box: 0.2 share**
  - **Incremental NM Kings Lts. Box: 0.7 share**
  - **Current Volume: 0.3 share**

- **CURRENT STATUS**

  - **Menthol Research (June 25th) Findings**
    - **Newport FF YAS in NYC**

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Source: https://www.industrydocuments.ucsf.edu/docs/ngnm0004

- Current Image of Parliament: Light, feminine, and too aspirational
- New FF proposition appealling
  - NM heritage not a barrier to trial
    - Viewed as flavorful, bold, social, and young adult
  - Close-In Campaign preferred
    - Overcame negatives associated with brand
    - Viewed as fun, slightly upscale but not "out of reach"
    - Communicated menthol and FF

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Source: https://www.industrydocuments.ucsf.edu/docs/ngnm0004